

February 20, 2024

Ms. Liane M. Randolph
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: California Air Resources Board's Potential Changes to the Low Carbon Fuel Standard

Dear Chair Randolph,

Iwatani Corporation of America (ICA) would like to thank the California Air Resources Board (CARB) for the opportunity to comment on the potential changes to the Low Carbon Fuel Standard (LCFS) program. ICA owns and operates several hydrogen refueling stations across California and is rapidly expanding to serve the fast-growing hydrogen market in California and the U.S. ICA expects to have more than 15 light-duty stations in operation at the end of 2026¹. Although the plans are not public yet, we are working on some very large heavy-duty projects that are expected to be shared in the near future. Since 1941, Iwatani has regarded hydrogen as the ultimate clean energy source and have consistently engaged in initiatives to encourage its widespread use. ICA is committed to support the zero emissions vehicle (ZEV) market by expanding the fueling infrastructure and supplying hydrogen to both light-duty and heavy-duty vehicles. Under the corporate slogan "A world where all enjoy true comfort – this is Iwatani's desire," we strive to solve environmental concerns with the aim of achieving a carbon free society through the use of hydrogen.

We want to congratulate CARB for developing and implementing the LCFS program which has saved more than 140 MMT of greenhouse gas (GHG) emission and surpassed expectations for renewable fuel growth production and reducing the carbon intensity (CI) of the transportation sector. Secondly, we support CARB in proposing potential changes to the LCFS program as we believe that the proposed changes make the program more efficient, resilient, and can potentially accelerate investment into many projects contributing further to the decarbonization of the transportation sector. Please find ICA's comments on certain proposed changes to the LCFS program.

¹ This letter contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results and business strategies. These statements can be identified by the use of terms such as "will," "believes," "should," "projects," "plans," "expects," and similar terms and expressions that identify future events or expectations. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured. Any forward-looking statements speak only as of the date of this letter, and no duty is assumed to update such statements. Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to: unanticipated changes in demand for the company's principal products, owing to changes in the economic conditions in the company's principal markets; changes in exchange rates or the impact of increased competition; unanticipated costs or delays encountered in achieving the company's objectives with respect to globalized product sourcing and new information technology tools; uncertainties as to the results of the company's research and development efforts and its ability to access and protect certain intellectual property rights; the impact of regulatory changes and accounting principles and practices; and the introduction, success and timing of business initiatives and strategies.

Increasing the CI reduction target pre-2030

As discussed during the workshops, the LCFS program has been successful in reducing and replacing fossil fuels, accelerating investment in low-carbon fuel production, ZEV infrastructure buildout, and facilitating the transition to 100% ZEV sales by 2035. According to the LCFS quarterly reports² published by CARB, not only has the volume and diversity of low-carbon fuels increased significantly within the past few years, but the CI of fuels has decreased leading to more LCFS credit generation and GHG savings. Moreover, substituting fossil fuels (gasoline and diesel) with low-carbon fuels and growth in ZEV sales have reduced the consumption of fossil fuels in the transportation sector. While this clearly shows that the LCFS program is overperforming, the demand for LCFS credits should be strengthened to balance the market and achieve the decarbonization goals. Nowadays, the LCFS credit bank balance is at a historic high and subsequently, the LCFS credit price, which is the main driver of investments in the clean fuels industry, is very low. To strengthen the demand for LCFS credits and restore the credit prices, CARB staff proposed increasing the stringency of CI reduction targets through 2030, however, ICA believes that the proposed CI reduction target (i.e., 30%) will not be enough to restore and stabilize the LCFS credit price and urges CARB to consider a greater CI reduction target, at least 40%, and implements the CI step down (5%) and auto acceleration mechanism (AAM) sooner than the proposed dates to restore the LCFS credit price faster and jumpstart the investment in production of clean fuels.

Infrastructure Crediting

Since CARB has established the infrastructure crediting program including HRI (hydrogen refueling infrastructure), and FCI (fast charging infrastructure) for light-duty vehicles, the number of fueling stations has grown significantly which is necessary for expansion of ZEV market and achieving ZEV mandate goals. The infrastructure crediting program has proven to be an efficient way to encourage ZEV infrastructure and support the state goals. ICA believes that a similar infrastructure crediting program for medium- and heavy-duty vehicles will help achieving the MHD ZEV Mandate targets. MHD ZEV is a necessary strategy for decarbonization of transportation sector and a more efficient way of using fuels (EER of 1.9 for MDH fuel cell). Hence ICA strongly supports CARB's proposal to extend the infrastructure crediting program to medium- and heavy-duty-(MHD) vehicles. Below are our comments regarding the current proposal:

- ICA highly recommends considering 15 years instead of 10 years as the crediting period and extending the deadline for HRI application submission from December 31, 2030, to December 31, 2035. MHD ZEV infrastructure requires more capital investment compared to Ligh-Duty (LD) ZEV infrastructure and to make the investment economically feasible, the crediting period of MHD HRI should be at least equal to LD HRI which is 15 years. Additionally, extending the deadline for MHD HRI application submission is more aligned with the state's MHD ZEV mandate goals and creates more opportunity for MHD ZEV infrastructure development throughout California State.
- ICA also believes that the 80% renewable content requirement can be costly and creates a burden for hydrogen refueling infrastructure and urges CARB to focus on CI and preserve the 40% renewable content requirement for the entire HRI crediting period.

Sincerely,

Hossein Tabatabaie

Director of Product Management

² <https://ww2.arb.ca.gov/resources/documents/low-carbon-fuel-standard-reporting-tool-quarterly-summaries>